

**MISSOURI PSTIF
FINANCIAL PROJECTION ASSUMPTIONS
PERIOD OF JULY 1, 2010 THROUGH DECEMBER 31, 2020**

The following are the assumptions used in projecting the Missouri Petroleum Storage Tank Insurance Fund Balances for the period of July 1, 2010 through December 31, 2020.

REVENUES:

- Transport Load Fees - It is assumed that the fee will remain \$20/load for the remainder of the projection period; no increase or decrease in petroleum usage is assumed.
- \$100 Initial Tank Fees – Assumes the following number new tanks for each fiscal year:

FY2011	550
FY2012 through FY2014	450
FY2015	325
FY2016 through FY2021	200
- UST Participation Fees for FY2011 are based on 2,625 policies. The number of policies is projected to remain constant at 2,625 policies for fiscal years 2012 to 2021. The average participation fee per policy for fiscal years 2011 through 2021 is assumed to be \$336, which reflects the current average participation fee. For fiscal years 2011 through 2021, Extended Reporting Period Endorsements are projected at an average participation fee per endorsement of \$352 with 200 projected for fiscal years 2011 through 2021.
- AST Participation Fees for FY2011 are based on 750 policies. The following is the number of policies projected to be issued for the remaining fiscal years:

FY2012	850
FY2013	950
FY2014	1,100
FY2015 through 2021	1,175

The average participation fee per policy for fiscal years 2011 to 2021 is assumed to be \$300, which reflects the current average participation fee. For fiscal year 2011, Extended Reporting Period Endorsements is projected at 75 and for fiscal years 2012 through 2021, they are projected at 100, with an average participation fee per endorsement of \$289.

- Interest earnings are based on the following rates applied to the prior year's ending fund balance:

FY2011 and FY2012	.75%
FY2013	1.00%
FY2014	1.50%
FY2015	2.00%
FY2016	3.00%
FY2017 through FY2021	4.00%

ADMINISTRATIVE EXPENSES:

- Third-party Administrative Expenses are assumed to remain constant for FY2011 through FY2013. For FY2014 and FY2015, costs are assumed to increase 1% annually. For

FY2016 through FY2018, a 5% annual reduction is assumed. For FY2019 through FY2021, costs are assumed to remain constant.

- Inspection costs are assumed to increase for FY2011 through FY2015 due to an increase in the number of insured AST facilities requiring financial responsibility as of January 1, 2010 and a small increase per inspection. Starting FY2016, costs are assumed to increase by 3% annually through FY2021.
- Legal expenses, Other Professional expenses, Training & Loss Prevention Services and Section 319.107 expenses are based on FY2011 appropriation requests and assumed to increase 3% annually through FY2021. An actuarial study was performed in FY2010 and is assumed biannually thereafter.
- Department of Revenue expenses are based on FY2011 appropriation requests and assumed to remain constant for FY2012. An increase of 2% annually for FY2013 through FY2015 is assumed. For FY2016 through FY2021, costs are assumed to remain constant.
- Attorney General's Office expenses are based on FY2011 appropriation requests and assumed to remain constant for FY2012. An increase of 2% annually for FY2013 through FY2015 is assumed. For FY2016 through FY2018, a 5% annual reduction is assumed. For FY2019 through FY2021, costs are assumed to remain constant
- PSTIF Board/Staff expenses are based on FY2011 appropriation requests and assumed to remain constant for FY2012 through FY2021.
- Department of Natural Resources expenses are based on FY2011 appropriation requests and assumed to remain constant for FY2012 through FY2015. For FY2016 through FY2018, a 5% annual reduction is assumed. For FY2019 through FY2021, costs are assumed to remain constant.
- State Government Expense includes the PSTIF's estimated share of expenses for statewide elected officials and legislative operations; costs are assumed to run through FY2021.

CLAIM PAYMENTS:

- **UST Insurance Claims** - As of June 30, 2010, the Fund had 518 open UST Insurance Claims, 52 of which are estimated to be Large Loss Claims and 53 are "tail coverage" claims. Cleanup activities were underway on 359 of these claims as of June 30, 2010. The projections assume the remaining 54 claims will either start cleanup or submit invoices for work previously completed during the period of fiscal years 2011 through 2013.

For fiscal year 2011 through 2012, it is assumed that 1.75% of insured UST sites will have or discover a release resulting in a claim. For fiscal year 2013 through 2015, it is assumed that 2.5% of insured UST sites will have or discover a release resulting in a claim. For fiscal year 2016 through 2021, it is assumed that 3% of insured UST sites will have or discover a release resulting in a claim.

Projected UST Insurance Claim payments are based on average costs incurred to date and estimated future remediation costs.

The Board offers "tail coverage" to Fund participants. It is assumed 10 claims will be made during extended reporting periods in fiscal year 2011 through fiscal year 2021. Projected

costs for these claims are based on average costs incurred to date and estimated future remediation costs.

- **UST Remedial Claims** - As of June 30, 2010, the Fund had 516 open UST Remedial Claims, 54 of which are estimated to be Large Loss Claims. Cleanup activities were started on 338 of these claims as of June 30, 2010. The projections assume 50 claims will either start cleanup or submit invoices for work previously completed in fiscal year 2011, 37 in fiscal year 2012, and 37 in fiscal year 2013.

Projected UST Remedial Claim payments are based on average costs incurred to date and estimated future remediation costs.

The projections assume an additional 122 UST Remedial Claims will be filed in fiscal years 2011 through fiscal year 2021.

- **AST Insurance Claims** – As of June 30, 2010, the Fund had 87 open AST Insurance claims, 14 of which are estimated to be Large Loss Claims and 10 of which were “tail coverage” claims.

For fiscal year 2011 through 2012, it is assumed that 2% of insured AST sites will have or discover a release resulting in a claim. For fiscal year 2013 through 2014, it is assumed that 2.5% of insured AST sites will have or discover a release resulting in a claim. For fiscal year 2015 through 2016, it is assumed that 3.5% of insured AST sites will have or discover a release resulting in a claim. For fiscal year 2017 through 2021, it is assumed that 4% of insured AST sites will have or discover a release resulting in a claim.

Projected AST Insurance Claim payments are based on average costs incurred to date and estimated future remediation costs.

The Board offers “tail coverage” to AST policyholders. It is assumed 5 claims will be made during extended reporting periods in fiscal year 2011 through fiscal year 2021. Projected costs for these claims are based on average costs incurred to date and estimated future remediation costs.

- **AST Remedial Claims** – As of June 30, 2010, the Fund had 45 open AST Remedial Claims, 8 of which are estimated to be Large Loss Claims.

Projected AST Remedial Claim payments are based on average costs incurred to date and estimated future remediation costs.

The projections estimate an additional 52 AST Remedial claims will be filed in fiscal years 2011 through fiscal year 2021.

- **Large Loss Claims** – As of June 30, 2010, the Fund had 128 open claims with estimated cleanup costs equal to or greater than \$250,000. It is assumed an additional 120 claims will become large loss claims during fiscal years 2011 through 2021.

- **Fund’s Sunset Date** – The “sunset date” is December 31, 2020 and it is assumed that the Fund will have a liability after that date to continue paying for claims filed prior to that date. No attempt has been made to project these “runoff” claim expenses.